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EVALUATION OF THE VOLUME AND COMPOSITION OF THE SOCIAL PRODUCT IN A SOCIALIST ECONOMY

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Production and distribution of the social product are two of the major items in the balance of the USSR economy. Nevertheless, little has been written about these subjects. Works defining and evaluating production have been based principally upon studies made in separate branches of the economy, primarily in industry and agriculture. There, however, each separate product was usually considered as independent and not as an integral part of the social product. The result is that the various studies of the social product suffer a lack of coordination and, moreover, frequently contradict each other, as for instance those estimating gross production in industry and in agriculture.

The correct definition of the social product is possible only when based upon the Marxist theory of reproduction. The theory of reproduction alone makes it possible to establish the objective features which characterize the content and the form of the social product in the USSR.

Analyzing reproduction in capitalist society, Marx gave the following definition of the social product: "Gross receipts and gross product represent the whole product which has been reproduced. That part of the fixed capital which has been advanced but has remained unused having been deducted, the value of gross receipts or gross product is expressed by the constant and variable capitals which were used, plus a surplus value subdivided into profit and interest. Should we examine the product of all social capital, and not merely that of one particular segment of capital, the gross receipts would amount to the material elements which form the constant and variable capitals, plus the material elements of the surplus product in which profit and interest are represented (Capital, Vol VIII, 1936, p 700). In Vol II, Marx defines the social product as a market product provided by the society in the course of a year. In the same book Marx states: "The annual product includes both the part of a social product which compensates the capital, the social reproduction, and the part which forms the consuming resources for workers and capitalists. The annual product, therefore, covers both the industrial and the individual consumption (Capital, Vol II, pp 339-340).

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The great number of definitions which the social product has been given results from the variety of social relations this product involves. The most important definitions, pertaining to the capitalist economy, implied in the quotations above, may be stated as follows:

1. The social product is a market product. Its volume must correspond to the proceeds from sale realized by the producers or to the total payments made by the purchasers.
2. The social product is expressed by the amount of constant capital used in the process of production, plus a newly created value representing the incomes of the capitalist society which are subdivided into wages, profit, and interest.
3. The social product represents the material elements of the constant and variable capital spent in the course of production, plus the material elements of the surplus product which includes profit and interest.

The definitions above are not mutually contradictory, since they originate from the general Marxist theory of reproduction and complement each other. Social products in socialist and capitalist society do not derive from the same principles. The difference is made apparent by the fact that in a capitalist society trade and distribution of social products are in a state of anarchy. They are based on the right of private property for the means of production and operate under the system of class exploitation of workers by capitalists. In a capitalist society the product of labor enslaves the people. Periodic crises are characteristic of capitalist reproduction.

In a socialist society, production is based upon public ownership of means of production. Production and consumption of the social product are determined in advance by the society; all the essential phases of the process of reproduction are placed under its control, and the process is accomplished according to the State economic plan in the society's own interest.

Since the socialist accumulation is accomplished for the sake of all the society, there is no contradiction between the distributed parts of the social product: the part accumulated and the part consumed. The feature of the planned expanded socialist reproduction in the USSR is the accelerated growth of the social product, with the strengthening of the socialist order as a goal. The cost of the product is a function of the production cost, i.e., its value is measured by the quantity of labor which is socially necessary for the production.

The social product runs through every phase of social reproduction and, in each phase, acquires a particular aspect. Thus, upon release from production, the social product appears as finished goods. Later, finished goods in the form of commodities accomplish a circuit which is completed by distribution among consumers. In the hands of consumers the social product turns into basic and turnover commodity stocks in industry, and into consumer goods in the field of individual or general consumption. When the social product is converted in the various phases of social reproduction, the result achieved in every phase must be the same. Consequently, correct estimate and calculations of the volume of the social product can be achieved through analyzing production, distribution, and final utilization. This cannot be achieved on the basis of data from any one phase of reproduction alone.

The USSR economy is based upon a dual principle of ownership of means of production: the State (All-National) property and kolkhoz cooperative property. However, the basic socialist form coexists with the following forms of ownership: (1) private properties of the kolkhoz workers, on the provision that there is no exploitation of another's labor; this private property represents a subsidiary element of the kolkhoz property; and (2) small private properties of individual peasants and craft workers, the right to which is based upon the personal labor of the owners.

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The social product is the result of the work accomplished by the USSR population in the sphere of material production. This sphere covers the following fields: industry, construction, agriculture, freightage, communications which accommodate the sphere of production, trade and also small industries which are not included in the categories above, firewood supply for personal needs, hunting, fishing, etc.

The bulk of the social product is represented by market goods. However, nonmarket goods, which we shall study first, also form a part of the social product. Nonmarket goods are produced in the following Soviet enterprises:

1. In kolkhozes where they represent the part of production which is distributed among kolkhoz workers as a compensation for their labor and which is utilized in kind for personal consumption or accumulation. Nonmarket goods are represented also by the part of production which is used to form the accumulation of basic and turnover stocks in kolkhozes.

2. On the subsidiary farms of kolkhoz workers, as any other workers or employees.

3. On the farms of individual peasants.

In the last two kinds of enterprises, nonmarket goods are those which are to be used in kind for personal consumption or accumulation.

The part representing nonmarket goods in the social product reflects operations which are not directly integrated in the economic turnover. This, however, does not imply that nonmarket goods have no part in the process of social reproduction. The following will show that nonmarket goods belong to the social product not as a result of some mechanical incorporation, but as an integral component of it.

1. All kolkhoz production is based upon the relations in socialist production and on the social division of labor. A socialist enterprise, in this case the kolkhoz, records and evaluates the production as an integral part of the social product.

2. The distribution of the product to kolkhoz workers is based upon the principle of an allocation equivalent to the amount and quality of work done. It should be kept in mind that a certain amount of the production representing the compensation of labor is actually sold on the kolkhoz markets, hence becoming a market commodity.

3. The accumulation of production reserves and basic stocks, both of which are achieved at the expense of the current kolkhoz production and represent nonmarket goods, are based upon the principle of social distribution of production and form an important phase of the expanded socialist reproduction of the kolkhoz economy.

4. The part of nonmarket goods in the subsidiary properties. (vegetable gardens, small cattle-raising enterprises) represents a product additional to that of the socialist enterprises, and satisfies certain social needs; therefore, it is also a part of the social product.

5. The nonmarket goods produced by individual peasants also represents a part of the social product, inasmuch as it covers a part of their requirements.

Production which would cover strictly personal needs and which would be very loosely connected with the principle of social divisions of labor (clothes and shoes repaired at home, repair of household articles) is not included in the social product.

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Nonmarket social production can be computed as the sum of nonmarket products used for personal consumption or accumulation, when they belong to the following categories: (a) products received as compensation proportionate to the number of working days or produced by kolkhoz workers on their subsidiary properties; (b) those produced on subsidiary properties by workers and employees; and (c) those produced by individual peasants.

The nonmarket production is an element of social reproduction for which the law of cost operates in a modified form. It has, therefore, a value, although this value was not expressed in the form of a price. The evaluation of nonmarket production expressed in rubles, besides its conventional significance in statistics, also reflects the fact that nonmarket goods were actually produced to satisfy social requirements.

The portion of the social product of the USSR represented by market goods fall into the following categories, both as to the cost of production and the value to the consumer: (1) the cost of means of production which labor transfers to the product in the course of production; this cost represents a fund for the replacement of the means of production, which had been used; and (2) the new value created, representing the national income and subdivided into funds of individual consumption, social nonproductive consumption and accumulation.

By making possible the replacement in value and kind of the means of production used in the manufacture of the social product, the transferred value represents an element of simple reproduction; however, on the expanded reproduction it has no direct effect. The transferred cost participates in the process of expanded reproduction only to the extent that simple reproduction forms a part of the expanded reproduction. The expanded reproduction, i.e., the increase of basic and turnover funds of production, is made possible by the national income and has no other source than this newly created value.

The transferred cost is the expression of the cycle of operations which the means of production have passed through during the process of production. The growth of transferred cost increases the social product, but also increases the expenses incurred by the society for the manufacture of this product. In a certain sense, the final expression of the transferred cost represents several times its actual value, since in the final expression are included overlapping transferred costs acquired by the product and accounted for in every previous stage of manufacture. If, for example, we consider the production of a spinning shop as social product, the cost of this product will appear as expenses for yarn in the weaving shop, later in the production of a dyeing shop, the cost of the spinning and weaving shops' productions will be repeated again, etc.

However, the stages of production where the social product may be entered in the record are not to be determined arbitrarily. The choice depends on the actual conditions of economic organization of production and on the system of social division of labor.

In studies on evaluation of gross production, an erroneous theory has been diffused. This theory states that the various methods of evaluating production are equivalent and independent of the unit of estimate selected. Thus, for example, if the production estimated is that of every shop, the result would be the gross turnover; if the reprocessing by a factory of its own production is subtracted from the gross turnover, the result is the gross production of the factory, by eliminating reprocessing in a main administration the result is the main administration's gross production, etc. All these estimates are considered as being equivalent to each other, although the values of production arrived at are completely different.

A. I. Rotshtein in Problems of USSR Industrial Statistics writes: "Gross production is consistent with the unit of observation to which it is related; therefore, the expression gross production as such, bears no indication as to the statistical characteristics of the phenomenon it expresses. The term

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gross production must be followed by indications as to the method applied for its evaluation and to the units of the estimate. Thus, the differentiation of gross production is made according to the method applied: the factory method where the indivisible unit is a separate enterprise, or the trust, branch, oblast and national economy method" (p 134). The author believes that "the gross turnover represents one of the methods of evaluating production." Gross turnover he understands to be the sum of the productions of each shop.

In works on statistics, the prevailing idea is that gross production is a statistical index which is only partly derived from definitions of the process of reproduction, the rest of the index being determined by statistical research. Therefore, the author does not seek from reproduction itself the conditions defining gross production.

Comrade Rotshtein and others who have dealt with the problem of gross production usually disregard completely the fact that the product is a market product. They overlook also that this is neither a casual nor a secondary element among those characterizing the process of reproduction. The process of socialist reproduction cannot be understood if one does not keep in mind that material links among enterprises composing the Soviet socialist economy are based upon commodity-money exchange. The turnover of social product in the process of reproduction is accomplished under the aspect of commodity-money exchange. Comrade Stalin pointed out that money will remain for a long time, until the socialist stage of development, which is the first stage of Communism, is completed (Stalin, I., Problems of Leninism, 11th edition, p 462). This means that in our socialist society the social product is a market product.

In The Military Economy of the USSR During the Patriotic War, Comrade Voznesenskiy writes: "The product exchange among the socialist enterprises of the USSR is an exchange of market values. However, each socialist enterprise has a consumer which is provided in advance by the plan. The sale of products is assured and capitalist competition is replaced by rational cooperation and competition (The Military Economy of the USSR During the Patriotic War, p 149). The State Economic Plan of the USSR outlines the extent and the pace of the development of the national economy and its subdivisions. Voznesenskiy states: "The State Plan, being based on the authority and the experience of all the Soviet people organized as a State, has the force of law in the economic development."

Economic laws of our economy are applied to carry out the provisions of the plan. Voznesenskiy writes: "The elementary law of production cost and product distribution is the modified law of cost of the Soviet economy."

The cost of the social product in the USSR finds its expression in sale prices. If the nature of the market good, the main part of the Soviet social product, is not overlooked, the problem of evaluating the social product, is not overlooked, the problem of evaluating the social product finds a very precise and objective solution. Allowing only the exceptions which have been mentioned, the social product must be considered as a market product. Transfers from one shop to another in the course of production, having no connection with commercial operations, must not be entered as social product. Likewise, it is wrong to eliminate from the social product any turnover which bears a commercial character and takes place within a main administration or a branch. A solid basis for an estimation of social product can be established only by relying upon this principle.

Still more amazing is the fact that Comrade Rotshtein and other economists consider the nature of "market product" as unimportant, even when the evaluation of social product concerns a capitalist country.

When Comrade Rotshtein characterized the structure of what Marx called the "yearly product," he wrote: "In the yearly product of the national economy

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as a whole ($c+v+m$), the value 'C' is not represented by the product transferred from one enterprise to another, such a repeated accounting having been discontinued, but by all the product of the previous year, carried forward as an 'incoming reserve' over the beginning of the given year during which it is reprocessed, and also by the portion of the basic fund of the national economy consumed in the production" (pp 160-167).

Rotshtein states that the "C" in the social product does not include the production transferred from one enterprise to another. In other words, according to Rotshtein, "C" does not include the ~~market~~ product of the Society for the current year. This has been written after Marx had stressed, from the first page of Capital to the last, the fact that in a capitalist society the product is specifically a market one. Lenin wrote that, according to Marx, the main characteristics of capitalism are: "(1) market production as the general form; the product acquires such a character in various social production organisms, but only under capitalism is such an aspect general rather than exceptional; and (2) that the market character is not only acquired by the product of labor, but by labor itself, i.e., by the labor power of a man." (Lenin, Works, Vol. I, pp 320-321).

According to Rotshtein, "C" in the social product represents the product of the preceding years, which has been carried forward as an "incoming reserve" over the beginning of a given year and reprocessed during this year, plus the portion of basic funds of the national economy used for production. Thus, Rotshtein eliminates from the social product the portion of the real social product performing the cycle of social reproduction, and includes instead the purely accounting category of "incoming remainders." This being a purely accounting category, it bears inevitably an arbitrary and conventional character, since it is not specifically determined by the social reproduction. In reality, the conditions of social reproduction do not in the least imply that the social product can be estimated for a period of one year only. The annual cycle of production has greater industrial significance the lower the technical level and the greater the part agriculture plays in the process of social reproduction. The modern process of reproduction can undoubtedly be subdivided into quarters and even months. If the method suggested by Rotshtein were to be considered seriously, the monthly evaluations of the social product would not correspond to those of a quarter and the total quarterly evaluation would be larger than that of a whole year. Therefore, according to Rotshtein, the amount of social product has no objective value, but only a conventional one which depends on the "methodology" applied. Rotshtein must explain why raw material bought on 31 December is to be included in the "C" of the social product, while that bought on 1 January is not.

Rotshtein interprets the Marxist doctrine of social reproduction as follows: "Speaking of the cost of the yearly product, and comparing it to the newly created cost, Marx indicates that the latter represents the product of the elapsed year only. The cost of the yearly product includes, moreover, all the elements of cost consumed in the production of the yearly product but which were produced during the previous year and partly during the preceding years, i.e., it includes all the means of production whose cost only reappears and which... were neither produced nor reproduced by the labor used during the present year."

In the first place, it should be pointed out that Rotshtein, as the ellipsis indicates, has omitted the following words, "as to their cost" after the word "which". Therefore, Rotshtein has altered the meaning of Marx' statement.

Marx wrote that only the cost of goods which have been used in production has not been produced during the current year, while Rotshtein by deleting the words "as to their cost" attributes to Marx the idea that, in a general way, products manufactured during the current year are not included in the "C" of the social product. This erroneous conclusion, however, belongs to Rotshtein and not to Marx.

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Actually, Marx stated that the cost of "C" represents the turnover of the constant capital's cost created during the previous year. Therefore, according to Marx the cost of "C" of the social product includes the constant capital's cost which has been produced in the previous years.

Marx, however, has never stated that this cost is represented by products which were produced only during the previous year. This was stated by Rotshtein who in quoting Marx not only has altered this statement, but ignored a number of others where Marx calls the social product "market product" and "gross receipts." Finally, Rotshtein has disregarded the whole Marxist doctrine based upon the analysis of the "market" character of the social product.

In the process of reproduction a part of the cost of constant capital created during previous years can accomplish several turnovers; this portion of capital transfers to the product the cost multiplied by the number of turnovers, i.e., generally a larger cost than that of the constant capital. Marx, however, did not elaborate on this problem, considering that one year corresponds to one productive cycle wherein the capital accomplishes one turnover.

The evaluation of the transferred cost in the USSR social product, to be freed from conventionality, must rely upon the objective fact that the social product is a "market product." Transfers of the product from one shop to another cannot be considered an operation equivalent to transfers from one enterprise to another. Transfers from shop to shop are as different from transfers from enterprise to enterprise as a socialist enterprise is different from the socialist economy.

Socialist legislation postulates a wide difference between circulation of products within an enterprise and that among enterprises. This difference is not formal, as one might think, but quite substantial. A shop does not buy goods from another shop, whereas an enterprise must pay for the production of other enterprises. Should statistics disregard this difference, the meaning of social product would not correspond to that given it by definition of the process of social reproduction. Disregard of the fact that the social product is a market product has, beyond any doubt, something in common with the theory that Stalin has refuted, which held that money in the USSR was reduced to the role of a means for settling accounts.

Since the social product is a market product, it is related to the main categories of social reproduction. It determines the amount of receipts for merchandise and is directly related to the characteristics of money circulation. The social product determines money receipts and expenses of the population and of the various organizations. Finally, it characterizes the material relations among branches and spheres of the national economy. The social reproduction under a socialist system can be defined only if based upon an analysis of the market social product.

The social product does not include the transferred cost of products which circulate from shop to shop or in the different production stages. These transfers are not of the "market" type. The social product reflects the transferred cost of market products only.

The percentage of the transferred cost in the total cost varies in the different branches of the national economy. In initial processing branches, this percentage is lower than in reprocessing branches, since the production cost of reprocessing includes that of the initial process. This peculiarity is to be kept in mind when comparing the social product in different branches.

The whole social product is composed of products in kind, but this does not mean that the social product can be evaluated as the sum of the costs of the different products.

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In order to make such an evaluation possible, a nomenclature of manufactured goods would have to be established. This nomenclature can be only arbitrary since, for many goods, production stages are not clearly delimited. The more production stages in which the social product has been accounted, the larger will be the part of expenses or the transferred cost at each subsequent stage of production. Since detailing of production stages or, what amounts to the same, enlargement of the nomenclature of products is by no means limited and, to some extent, arbitrary, an estimate of the social product which will follow from this method will have a purely accounting, or conventional value. Such an estimate will have no connections with the elements of social reproduction, since it will reflect operations derived from the organization of work within plants.

The evaluation of the social product as a sum of costs of goods does not satisfy the definitions derived from the Marxist doctrine. The cost of means of production consumed, which is to be replaced, could not be precisely established. The circulation of products from enterprise to enterprise would be put on the same level as circulation of goods within enterprises. The material and technical relations among branches would disappear in the turnover of goods within enterprises.

Accounting in kind is necessary for the principal products such as basic fuels, electric power, ferrous and nonferrous metals, machinery, equipment, principal agricultural products, etc., since otherwise no planning of the economy would be possible, but a correct estimate of the whole social product is not possible on the basis of such a system.

When the social product is computed, it is essential to determine its value for set periods, quarters, years, 5 years. The question arises as to the correct distribution of the social product over the production period.

Production periods do not correspond to periods of sales. Some of the products manufactured during a reported period might be sold during the following period. On the other hand, during the period reported there might be products sold, which have been manufactured during a previous period. The stocks of semifinished goods produced by the plant and the amount of production remaining unfinished can vary. Increases in stocks of semifinished goods and of unfinished manufacture represent an accumulation; therefore, these stocks must be taken into account in the computation of the social product. Likewise, decreases in stocks of unfinished production, of finished goods or of semifinished goods of the factory's own production are to be considered as sales, (during the current period) of products manufactured during a previous period. Therefore, in order to establish correctly the social product for a given period, it is necessary to add the cost of the increases in stocks of finished goods, of semifinished goods produced by the factory and of unfinished production, to the cost of the production sold. In case of a decrease, the corresponding value is to be subtracted.

Rotshtein believes that the evaluation of production in industry and agriculture must follow the method applied in the case of a separate period.

"Gross production during a given period is equal to the turnover of gross production ($A+B$), after subtracting the cost of the semifinished goods used in production (B_1) less the cost of the semifinished goods used in the production, but supplied from the stocks of the previous periods (B_2), and adding the unfinished production remaining at the end of the reported period (N_2)" (p 159). $[(A+B) - (B_1 - B_2) + N_2]$.

The gross production during a given period is larger than the average gross production of the enterprise. The reason is that the first includes the cost of the unfinished production and the cost of the remaining semifinished goods, at the beginning and the end of the period, and not only the increment of the remaining semifinished and unfinished goods.

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The peculiarity of this "production" is that the total of production estimated for each quarter will be larger than the production of the year, and the total of five annual productions will be larger than 5 years' production. Estimates of production for separate periods are here based upon the intraseconomic turnover, and establish only the balance between two consecutive periods.

The nonmarket turnover within an enterprise is not to be included in the social product. The "incoming" reserves of semifinished goods and unfinished production have already been computed in the cost of the market product of the enterprise during the previous period. Semifinished goods and unfinished production carried over to the next period are not to be included in the social product since they represent for the enterprise a property which existed at the beginning of the period and was only subject to an intrafactory turnover. If on the contrary, the cost of the remaining semifinished and finished goods increased, in comparison with the initial period, this represents an accumulation, which is to be included in the social product.

The conclusion which results from the study of the basic problems of determining the social product can be expressed by the following definitions:

The social product of the USSR is the total result of labor which is applied in the sphere of national production. The social product manufactured during a reported period is represented by the sum of: (1) the cost of market goods produced, plus the increase or less the decrease of the cost of unfinished production or semifinished goods manufactured by the enterprise itself; and (2) the cost of the nonmarket product.

These are the general principles upon which statistics of the social product must be based. If principles of estimating the social product are established correctly, they also make it possible to evaluate the social product in the branches. A study of the social product in connection with other indexes of socialist reproduction is possible only if these principles are observed. All arbitrary concepts will be thus eliminated in computation of the social product.

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